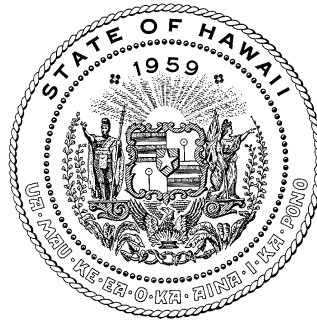


Annual Report to the Twenty-Second Legislature
Regular Session of 2003

GEOHERMAL ROYALTIES
AND
GEOHERMAL AND CABLE DEVELOPMENT ACTIVITIES



Prepared by the

Department of Land and Natural Resources
State of Hawaii

in response to
Sections 182-18 and 196D-11, Hawaii Revised Statutes

December 2002

Fiscal Year 2001-2002
Annual Report on Geothermal Royalty Dispositions
and Status of Geothermal and Cable System Development

This annual report is prepared pursuant to Sections 182-18 and 196D-11, Hawaii Revised Statutes, and covers the period July 1, 2001 through June 30, 2002.

Section 182-18, Hawaii Revised Statutes
Geothermal Royalties

For Fiscal Year 2001-2002, a total of \$477,958 in geothermal royalties was received from Puna Geothermal Venture (PGV). In accordance with statutory provisions, \$143,387.40 (30%) was distributed to the County of Hawaii. Geothermal royalties for Fiscal Year 2001-2002 were based on an average power production and sale of 20.5 megawatts to the Hawaii Electric Light Company (HELCO).

In April 2002, PGV's main geothermal resource well (KS-11) became plugged, resulting in decreased steam production. This decrease has resulted in reduced electrical production, which will be reflected in the amount of royalties received in Fiscal Year 2002-2003. PGV plans to drill a new production well in Fiscal Year 2002-2003, which if successful, will allow PGV to resume normal electrical production levels.

Section 196D-11, Hawaii Revised Statutes
Geothermal and Cable System Development

There has been no change in the State Administration's policy regarding geothermal development since that issued by Governor John Waihee on December 8, 1992. Presently, this policy limits the State's support for geothermal development to currently permitted projects on the Island of Hawaii and sets forth that the State of Hawaii is no longer pursuing a large-scale geothermal project.

The Mineral Resources Program within the Department of Land and Natural Resources was abolished in 1995 in response to budget reductions. Statutory regulatory and resource management responsibilities continue to be performed under other Departmental programs within the Land Division.